



Director of  
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Intelligence

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## Deng Xiaoping and the FX Aircraft Issue

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## DENG XIAOPING AND THE FX AIRCRAFT ISSUE

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## KEY JUDGMENTS

Deng Xiaoping—China's preeminent policymaker and the architect of the normalization of US-Chinese relations—is prepared to downgrade both the symbolic and substantive nature of relations with the United States if Washington breaches the limits of Chinese tolerance of arms transfers to Taiwan. China has identified the sale of an FX aircraft as outside those limits.

Despite consolidation of Deng's power since the late 1970s, significant resistance to his policies remains. Those who resist him on specific issues do not now, however, constitute a cohesive opposition.

Deng is uniquely identified with the US relationship, and he will act to limit his own political vulnerabilities on the Taiwan issue in order to preserve the consensus behind his overall policies. Deng is fully capable of sacrificing elements of his policy toward the United States in order to preempt his opponents and protect his position. Thus protected, he appears strong enough to ride out even a serious setback on the Taiwan arms issue.

Chinese concern over the direction of US policy has prompted Beijing's repeated warnings—accompanied by a progressive narrowing of options—regarding the consequences for bilateral relations of unacceptable arms sales to Taiwan. Beijing is positioned to portray a US decision to sell the FX as a violation of the understandings implicit in normalization and as a grave blow to hopes for peaceful reunification with Taiwan. The Chinese appear equally opposed to either the F-5G or F-16/79 versions of the FX.

In the event of an outright sale of an FX aircraft to Taiwan, Beijing almost certainly would demand the withdrawal of the Ambassadors in both capitals and would reduce various forms of cooperation. Chinese efforts to act in parallel with Washington on policies toward the USSR and the Third World also would come under increased pressure.

It is highly unlikely that Deng would forgo sanctions even if an FX sale were managed in a discreet, incremental, and publicly ambiguous

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manner.<sup>1</sup> The Chinese view the FX issue as a litmus test of the US commitment to the "one China" principle, first expressed in the 1972 Shanghai Communiqué.

On the other hand, if US-sponsored improvements in Taiwan's military capabilities fall short of an FX or comparable advanced weapon systems, Beijing would formally protest the sales but would not permit them to impede the development of other aspects of US-Chinese relations.

<sup>1</sup> Specifically Beijing would react negatively to any US strategy for providing Taiwan the improved engine that in effect makes an F-5E into an F-5G (FX).

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## DISCUSSION

1. Deng Xiaoping has been one of the central figures in Chinese politics since the People's Republic was founded in 1949. His [REDACTED] willingness to take great risks, however, have brought him trouble along with success. Knocked out of power by Mao Zedong in 1966, Deng returned in 1973, only to be purged again in 1976 by a dying Mao concerned about Deng's independence. With the purge of the Politburo's left wing—the Gang of Four—after Mao's death in 1976, Deng again began the climb to leadership that has made him the strongest man in China today.

2. Deng has chipped away at the reputations of his rivals by associating them with offenses committed when he was out of power. He has removed leftist opponents from the Politburo and diluted the strength of others who have resisted his initiatives. [REDACTED]

[REDACTED] He has succeeded because of his drive, connections, strategy, and compromises. Invoking Deng's name is not always enough to silence critics; indeed, Deng can be resisted and, when Deng's policies face problems, his critics have reined him in through their collective pressure.

### Deng's Opponents

#### The Left

3. Although Deng has compromised repeatedly on specific policies, his general domestic goals are clear. He wants to ensure his followers' succession to power, to rebuild a party damaged by the Cultural Revolution, and to stimulate the economy with a dose of market forces. These objectives have locked him in potential combat with the roughly half of the party members who were inducted during the Cultural Revolution, when there was a greater emphasis on ideological commitment. Today, leftists are entrenched at every level of the Chinese government and party bureaucracy, except at the very top where Deng has concentrated his energies the past four years.

4. In foreign policy, the leftists have long been disposed to a policy of confrontation toward both the

United States and the USSR. Their political tactics have consistently drawn on China's reservoir of traditional xenophobia by attacking as a sellout even the slightest signs of compromise with foreign powers. Criticism along these lines can be discerned in the allegories and historical commentaries that are used to air dissenting views.

#### The Military

5. Deng's policies have aroused resentment within the military. His determined efforts to remove the military from politics and return it to the barracks have eroded the privileged status enjoyed by Army officers. The military has resisted many of Deng's ideological and economic initiatives, and showed its political muscle this summer in pressing him to clamp down on writers whose criticism of the behavior of the military rankled senior officers.

6. The military's views on foreign issues are less clear, but Deng's policies toward Taiwan, along with the reduction in the Army's share of the budget, probably have produced opposition from within the military. From the military's perspective, the prospect of US-sponsored improvements in Taiwan's military capability provides an argument for corresponding increases in China's defense budget and a basis for criticizing Deng's approach to the Taiwan issue. Allegorical articles in the Beijing press have indicated that some elements in the Army favor a tougher line on Taiwan.

#### Party Conservatives

7. Deng must also deal with senior party leaders who differ with some of his policies. These senior leaders—including Ye Jianying, Chen Yun, and Li Nianian—often coalesce to resist policy initiatives that they fear might be destabilizing.

8. At a major party conference last December problems with budget deficits and inflation combined with the perception of deteriorating social order to restrain, but not halt, Deng's political momentum. The publication of propaganda themes closely identified

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with the military—like the need for Maoist "revolutionary spirit"—immediately after the conference also indicated that the Army lent its weight to Deng's critics.

9. The political crosscurrents at play last December were complex, including feuds within the leadership over the trial of the Gang of Four, the demotion of Hua Guofeng, and the evaluation of Mao Zedong. They were further complicated by a heightened concern about US policy toward Taiwan.

10. Even so, the reaction to Deng's policies and his political problems last winter were less formidable than in previous years. Deng benefited from the success of his earlier efforts to reshape the Politburo by removing recalcitrant leftists and promoting his own allies. He was further helped by the disorganization of his opposition, part of which was itself under attack. The purge of the party's remaining leftwing leaders in 1980 essentially eliminated the chances for the leftists at lower levels to challenge Deng.

11. For their part, party conservatives retain their positions in the central leadership, but they do not advocate any coherent alternative to Deng's programs. Deng apparently intends to limit their influence over time, but until he achieves that goal he cannot ignore their opinions. The events last winter demonstrate that the combination of the senior party conservatives, leftists, and the Army's application of political muscle can significantly limit the scope of Deng's program and policies.

12. At the same time, however, it seems likely that only extreme circumstances could unite the forces within the Politburo to topple Deng. Deng has not only improved his own position in the last few years, but he also has adopted a more cautious political approach to reduce his exposure to risk. Finally, complementing Deng's more cautious tactics, the behavior of the conservatives suggests they want to avoid disarray in the leadership.

#### Deng and the Taiwan Issue

13. Since the normalization of US-Chinese relations, Chinese officials have repeatedly highlighted Taiwan and the arms sales question as "sensitive" issues for the "leadership." Given the fact that Deng has personally managed China's relationship with the United States,

turning it to his political advantage, the question therefore arises whether Deng's handling of relations with the United States and Taiwan is a sufficiently volatile issue to bring him down.

14. Deng immediately assumed the management of US-Chinese relations when he returned to power in 1977. In August of that year, for example, he told Secretary Vance during their talks that there was no need to refer to then Premier and party Chairman Hua Guofeng for guidance. The dangers inherent in Deng's exposed position apparently accounted for Deng's subsequent public denunciation of the Vance trip following foreign press reports that Deng had been "flexible" on China's right to use force to regain Taiwan.

15. Deng cemented his control over US-Chinese relations during the final days of normalization talks in December 1978, when he personally conducted the negotiations. At that time, Deng and his supporters were simultaneously engineering a major political victory at the Third Party Plenum.

The coincidence of the plenum and normalization negotiations makes it logical to assume a political connection. Given Deng's role as a link between the two events, he mortgaged a share of his personal position to a successful management of US-Chinese relations.

16. More specifically, Deng's handling of the negotiations may have made him individually vulnerable to any criticism of the normalization understandings.

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[ ]

[REDACTED] to December [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

17. After considerable agonizing, [REDACTED]  
[REDACTED]  
[REDACTED] defined Taiwan's [REDACTED]  
[REDACTED]. He opted instead to seize the opportunity to  
close the normalization deal while putting aside the  
question of future US arms sales to Taiwan. That  
decision left Deng particularly exposed on the arms  
question, and he may have argued in leadership  
discussions that normalization, coupled with the Chinese  
campaign for "peaceful reunification" with  
Taiwan, would lead to a phasing out of US arms  
transfers to Taiwan as tensions in the area diminished.

18. In this context, the Chinese leadership now may  
view a strict limitation on arms sales to Taiwan as a  
necessary response to Deng's peaceful reunification  
initiatives. This would not [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

19. Deng's personal association with the normalization  
agreement was reinforced by his triumphal visit  
to the United States the next month, in response to an  
invitation that had been offered to either Hua or  
Deng. Deng also has continued personally to handle  
important discussions with US leaders.

20. Although Beijing remains strongly opposed to  
arms sales in principle, it has not allowed the issue to  
inhibit the rapid development of the US-Chinese  
relationship. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Beijing  
wants to avoid a coincidence in arms sales to Taiwan  
and other aspects of US-Chinese relations that would  
create an impression of Beijing's acquiescence in US

actions. On the other hand, Deng appears to want to  
delay for his own political reasons [REDACTED]  
[REDACTED]

[REDACTED]  
22. Chinese concern over the Taiwan issue in general—and over the potential for problems with Washington over weapons sales in particular—grew markedly during 1980. Moreover, Chinese uncertainty about the direction of US policy toward Taiwan has prompted repeated warnings about the consequences for US-Chinese relations of US decisions on the arms sales issue.

#### Beijing's Objection to Advanced Weapons Sales

23. This concern underpins Beijing's anxiety over sales of advanced weapons, in particular the FX aircraft. From the Chinese perspective, Taiwan is seeking the FX not to shoot down other aircraft, but to bring down the US-Chinese relationship. Beijing believes that Taipei wants the FX in order to demonstrate US willingness to help Taiwan prevent reunification on Beijing's terms. The net result would implicitly acknowledge the concept of "two Chinas" or "one China, one Taiwan"—something that Beijing insists it cannot accept in its relationship with Washington.

24. Since last year, Beijing has responded with a drumfire of criticism to every indication from either Taipei or Washington that the United States might sell the FX to Taiwan. In the process, the Chinese have not distinguished between the alternative FX models; they apparently would find the F-5G and the F-16/79 equally objectionable. Indeed, their behavior strongly suggests that it is not the aircraft itself, but its symbolism of US support for Taiwan's political claims, that disturbs Beijing.

25. Last January, for the benefit of the new US administration, Beijing mounted a concerted demonstration of its determination to resist any FX sale. Next, the Chinese applied maximum political pressure on the Netherlands to prevent the sale of conventional submarines to Taipei. [REDACTED]

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[REDACTED] Final approval of the sale by the Dutch parliament led to reduction in relations to the charge d'affaires level in February, followed by Chinese measures to alter other bilateral economic ties.

26. The Chinese intentionally have used both the Dutch case and their subsequent statements on the arms sale issue consciously to narrow their options for responding to an unfavorable FX decision. This kind of signaling process is managed carefully by the Chinese, and they can be expected to act in a manner that will not impair their credibility.

27. Sino-Dutch and Sino-US relations, however, do not offer precise parallels. Strictly speaking, the Dutch precedent suggests that, in the event of an FX sale, Beijing would insist that the US Embassy return to its status as a liaison office before to normalization.

[REDACTED] interpreted the Dutch submarine sale to be an implicit recognition of the sovereignty of Taiwan, an [REDACTED]

[REDACTED] of the FX would undercut US acknowledgment of "one China" in the Shanghai Communique. However, it is more likely that Beijing would call for the removal of Ambassadors from both capitals, but not for the retrogression.

[REDACTED] In any case, the Chinese will need to react to reaction by balancing their need to maintain credibility against the difficulty of rebuilding relations at a later date.

### Deng's Options

28. Deng has ruled out negotiating a quid pro quo for the sale of advanced aircraft to Taipei and asserted that US-Chinese relations will "retrogress" as a result. China, however, still possesses a variety of possible reprisals, which range from efforts to reverse any decision on sales to sanctions against the United States once a decision is firm.

#### Reaction to the Sale of the FX Aircraft

29. An outright decision by the United States to sell the FX aircraft (F-16/79 or F-3G) to Taiwan would

[REDACTED] produce a strong reaction from China. Beijing would loudly interpret the decision as an attempt to pursue a "two Chinas" policy that undermines the central principle of US-Chinese relations.

30. China's most recent proposal on reunification with Taiwan was engineered by Deng in part to dissuade the United States from selling the FX to Taiwan. For Deng to "fail" with respect to the FX would lead some to call into question the broader issue of peaceful reunification. Although China's options with regard to Taiwan are limited by the military and political costs inherent in any military move against Taiwan, there would be pressure to retreat from the conciliatory policy China has adopted vis-a-vis Taiwan and even to take steps that would increase tensions in the Strait.

31. [REDACTED]

[REDACTED] This would almost certainly produce vigorous efforts on his part to blame and punish the United States. Deng has already guided Chinese diplomatic moves to place some distance between China and the United States in propaganda and policy toward the Third World, for example, as a sign of things to come. In the domestic setting, Deng would try to protect himself by implicating others in the policy failure and by accommodating the political interests of key figures—and potential antagonists—within the leadership.

32. The Dutch precedent suggests that US-Chinese diplomatic relations would be reduced at least to the charge level. Such a decision would be likely to preclude resumption of normal relations for a few years. Strategic cooperation would be significantly reduced, if not ended.

33. In economic terms, purchases of US grain might be reduced, returning the United States to its former status as a market of last resort. China also would not purchase US arms or technology; symbolic arms purchases, nuclear plant purchases, and some other commercial activities would be diverted to European suppliers.

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### **Reaction to Graduated Enhancement of the F-5E Leading to the FX Aircraft**

34. A decision to provide an aircraft equivalent to the FX by gradually upgrading the F-5E would be treated by the Chinese as tantamount to an immediate FX sale and they would react in essentially the same fashion. The Chinese believe that Taiwan wants the advanced fighter as a symbol of US commitment to its independence, and any information that China obtains about the aircraft improvements from Taiwan or elsewhere will be weighed against that belief.

[REDACTED]

[REDACTED] disclosure in Taiwan of the [REDACTED] would create pressures on Deng to retaliate. These pressures would intensify greatly—as would the Chinese response—if any formal, governmental announcements of ultimate US intentions were made.

### **Reaction to Improvements That Fall Short of an FX Aircraft Transfer**

35. China's reaction to any US-sponsored improvements in Taiwan's fighter aircraft capabilities that fall short of an outright FX transfer—improvements other than provision of a single, more powerful engine for the F-5E—would depend on Beijing's assessment of what the changes mean in terms of US intentions toward Taipei. Here too, Beijing could temporize at first because of the uncertainties attached to US actions, but the attention already focused on the FX issue would make it impossible for the Chinese to leave even minor improvements in Taiwan's air capabilities politically unchallenged. But in the end, if the Chinese conclude that US arrangements with Taiwan do not include provision of the FX, they would support continued development in bilateral relations.

36. As was the case with previous US arms sales to Taiwan, Beijing would formally protest the sales, but would not permit them to impede the development of other aspects of US-Chinese relations.

### **Deng and the Leadership Situation**

37. How Deng handles China's response to US actions regarding arms sales to Taiwan will depend to some degree on the political dynamics prevailing at the time.

[REDACTED]

[REDACTED] is usually described in terms of the "feelings of one billion Chinese" on the subject. Moreover, Deng told former President Ford last March that US-Chinese relations "are not matters that can be handled by a few Chinese," implying that the relatively small circle of officials, including himself, who have handled policy toward the United States now must answer to others.

38. The opening to the United States enjoys broad support within the Chinese leadership. Problems over Taiwan, however, could be especially difficult for Deng if they occurred at a time when he was suffering reverses in other major policy areas. In those circumstances, a challenge to Deng's leadership might open the way for his rivals to question the policy of turning to the United States and the West as a means of counterbalancing the USSR and aiding China's modernization.

39. Deng has assets that he can deploy—and in some cases has already deployed—to protect himself from assaults on his handling of US and Taiwan policy. Deng has steadily reduced the power of his historical rivals on the left, and bolstered his support at the top levels of the leadership even after troubles became apparent in US-Chinese relations this year. His most formidable competition—from senior conservatives—is not organized and lacks a clear alternative program. Although Deng's work in managing the military is far from complete, he has made progress, and the Army does not by itself appear to constitute a threat to his rule. In sum, Deng now appears strong enough to ride out even a sharp domestic backlash against the United States and his policies. Moreover, Deng is certain to take the lead rather than find himself driven by events if US arms decisions set in train a deterioration in US-Chinese relations.

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